

Message Text

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22

ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

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R 131221Z JUL 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 5764

INFO AMEMBASSY ABU DHABI

USINT BAGHDAD

AMEMBASSY DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

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E.O. 11652: N/A

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SUBJ: KUWAIT OIL REORGANIZATION PLAN ANNOUNCED

REF: KUWAIT 2084 (NOTAL)

1. LOCAL PRESS HAS REPORTED FINALIZATION AND APPROVAL BY CABINET
OF STATE OF KUWAIT OIL REORGANIZATION PLAN, AS OF JULY 10, 1976.

MAIN CHARACTERISTICS OF NEW PLAN IS RETENTION OF PRESENT OIL
COMPANIES: KUWAIT OIL CO. (KOC); KUWAIT NATIONAL PETROLEUM CO.

(KNPC); AND PETROCHEMICAL INDUSTRIES CO. (PIC). PREVIOUS PLAN
TO ESTABLISH SINGLE OIL CERN, CENTERED ON KNPC AND ABSORBING

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OTHER FIRMS HAS BEEN DROPPED. CHANGES HAVE BEEN MADE ONLY IN

BOARD OF DIRECTORS OF EACH COMPANY.

2. FOLLOWING CHANGES HAVE BEEN EFFECTED: A. NUMBER OF BOARD MEMBERS HAS BEEN REDUCED FROM 10 TO 7; B. MEMBERS OF BOARDS WILL BE DRAWN FROM OIL SECTOR; C. APPOINTMENT WILL BE FOR PERIOD OF THREE YEARS; AND, D. MINISTRY OF OIL ((099) WILL APPOINT ONE BOARD MEMBER FOR EACH OF THREE COMPANIES.

3. AS FOR MEMBERSHIP OF NEW BOARDS, LEADERSHIP POSITIONS REMAIN UNCHANGED, THOUGH THERE ARE NEW FACES TO REPLACE THOSE THAT HAVE RESIGNED. CARRY-OVERS FROM PREVIOUS BOARDS INCLUDE: KOC--CHAIRMAN AHMAN JAAFAR, DEPUTY CHAIRMAN FEISAL THUNAYAN AL-GHANIM, AND FEISAL AL-SHAYJI; KNPC--CHAIRMAN AHMED MUTAIR AND DHAZI AL-NAFISI; AND PIC--CHAIRMAN ABDUL BAKI AL-NOURI. MOO-APPOINTED MEMBERS ARE, RESPECTIVELY, MOHAMMED AL-KHOBAIZI, ABDUL RAZZAK HUSSEIN, AND JAMAL HASHIM AL-RIFAI.

4. IN PRESS CONFERENCE FOLLOWING DAY, MINISTER OF OIL ABDUL MUTALLEB AL-KAZEMI CLARIFIED FOLLOWING TWO POINTS: A. ON DETERMINATION OF BUDGET OF OIL COMPANIES,AL-KAZEMI SAID THAT NO CHANGE WAS CONTEMPLATED IN CURRENT PROCEDURES WHEREBY BUDGET WOULD BE PREPARED BY COMPANIES THEMSELVES. (BUDGETS FOR KOC AND PIC WOULD BE SUBJECT TO MOO APPROVAL; KNPC SPECIAL STATUS, ALLOWING IT FULLER DETERMINATION OF OWN BUDGET, IS NOT AFFECTED.) B. ON ROLE OF COMPANIES AND THE COORDINATION, AL-KAZEMI ACKNOWLEDGED THAT, THOUGH COMPANIES WOULD EVENTUALLY BE MERGED INTO SINGLE ENTITY, THIS PROCESS MUST BE GRADUAL ONE. FOR NOW, COORDINATION PROCEDURES WOULD CONTINUE UNCHANGED. AL-KAZEMI DID NOTE, NOWEVER, THAT KOC WOULD NOT CONCENTRATE ITS EFFORTS ON PRODUCTION, WHILE KNPC WOULD UNDERTAKE REFINING AND MARKETING. (PREVIOUSLY BOTH COMPANIES PERFORMED BOTH REFINING AND MARKETING FUNCTIONS FOR CRUDE AND REFINED PRODUCTS RESPECTIVELY.)

5. COMMENT: AFTER RUMORS OF LARGE-SCALE REORGANIZATION OF KUWAIT'S OIL SECTOR (REFTEL), PRESENT PLAN APPEARS TO BE VERY UN-AMBITIOUS. VERY LITTLE CHANGE IN CURRENT STRUCTURE IS PROPOSED. THOUGH THE MOO (AND AL-KAZEMI) HAS ACQUIRED VOICE WITHIN THE BOARDS, CONTROL OF BUDGET , PERSONNEL AND PROGRAMS STILL REMAIN IN HANDS OF COMPANIES THEMSELVES. PLAN THUS REPRESENTS SETBACK FOR AL-KAZEMI'S EXJORTS TO EXERCISE CONTROL LIMITED OFFICIAL USE

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OVER OIL SECTOR. IN FACT, MAJOR PROVISIONS OF PLAN, SUCH AS FIXED TERMS FOR BOARD MEMBERS, AND RESTRICTION OF BOARD MEMBERS TO OIL SECTOR PERSONS ONLY, SEEM TO BE DESIGNED TO MEET OBJECTIONS OF KNPC AND PIC OFFICIALS THAT AL-KAZEMI PROPOSALS HAD REPRESENTED POLITICAL AND PERSONAL INTERFERENCE. (ONE OBJECTION WAS APPOINTMENT BY AL-KAZEMI OF ONE OF HIS CLOSE POLITICAL ASSOCIATES TO SENIOR POSITION IN KNPC.)

6. THERE HAD BEEN PRESS SPECULATION DURING JUNE THAT WHOLE OIL
SECTOR REORGANIZATION EFFORT WOULD BE PUT OFF AT LEAST FOR ANOTHER
YEAR. OPPOSITION OF KNPC AND PIC OFFICIALS (ONE OF LATTER,
ABDUL BAKI NOURI, HAD RESIGNED IN PROTEST, BUT HIS RESIGNATION
WAS NOT ACCEPTED) TO AL-KAZEMI'S SINGLE BOARD WAS MOST PROBABLY
RESPONSIBLE FOR THIS. PRESENT PLAN IS THOUGHT TO BE STOP-GAP
MEASURE. DESIGNED TO SATIDFY TWO REQUIREMENTS: A. PROVISION FOR
CONTINUITY IN ORGANIZATION, SINCE EXPIRATION OF TERMS FOR CURRENT
BOARDS OCCURED IN JUNE OR JULY; AND, B. NEED TO MAKE CRITICAL
DECISIONS ON KNPC ANDIQIC PROJECTS, PARTICULARLY
REFINERY EXPANSION AND AROMATICS.
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